



November 16, 2016

MEMORANDUM FOR: Mitchell J. Ross
Director, Acquisition and Grants Office
National Oceanic and Atmospheric Administration

A handwritten signature in black ink that reads "Mark Zabarsky".

FROM: Mark H. Zabarsky
Assistant Inspector General for Acquisition and
Special Program Audits

SUBJECT: *Audit of Coastal Protection and Restoration Authority Grant Award*
NAIINMF4630150
Final Report No. OIG-17-004-A

This final report provides the results of a review of a coastal restoration project in Louisiana funded by the National Oceanic and Atmospheric Administration (NOAA) Office of Habitat Conservation. Our objectives were to determine whether Louisiana's Office of Coastal Protection and Restoration Authority (CPRA) (1) complied with award terms and conditions and applicable laws and regulations, (2) met the 15.12 percent matching share requirements, and (3) claimed reasonable and allowable costs under the grant award. Appendix A provides further details regarding our objectives, scope, and methodology.

Background

On October 17, 2011, NOAA National Marine Fisheries Service awarded cooperative agreement number NAIINMF4630150, a \$30,005,572 financial award for coastal restoration to CPRA. The project aims to create 196 acres of brackish marsh, nourish 93 acres of existing brackish marsh, and create 24 acres of maritime ridge habitat for aquatic species in the Bayou DuPont parish through sediment delivery from the Mississippi River. Along with this \$30 million grant, Louisiana provided a required matching share of 15.12 percent of total project cost, approximately \$5.3 million. The award period ran from September 1, 2011, through August 31, 2016, at which time all funds were to be expended.



Bayou Dupont Sediment Delivery Area
funded by the NOAA Grant
Source: CPRA

According to the Government Accountability Office:

Since the 1930s, coastal Louisiana has lost over 1.2 million acres of wetlands or other coastal habitats and the U.S. Geological Survey estimates that the region will continue to lose about 10,800 acres—almost 17 square miles—each year for the next

50 years to storms, sea level rise, land subsidence (sinking), and the construction of levees and canals that weaken the sustainability of the landscape. Flood control structures, such as dams, have reduced the amount of suspended sediment in the Mississippi River and levees have disconnected the river from the floodplain, disrupting the natural process by which the river historically deposited sediment in the delta to build and sustain coastal wetlands. Coastal Louisiana is one of the most wetland-rich regions of the world—home to about 2.5 million acres of fresh, brackish, and saltwater marshes, accounting for about 40 percent of the coastal marshland in the lower 48 states.¹

Coastal wetland losses in Louisiana account for up to 80 percent of the total coastal wetlands loss occurring in the continental United States annually.²

In 1990, the Congress passed the Coastal Wetlands Planning, Protection and Restoration Act (CWPPRA),³ to identify, prepare, and fund construction of coastal wetlands restoration projects. The CWPPRA created a task force comprised of the Secretary of the Army, the Governor of Louisiana, the Administrator of the EPA, and the Secretaries of the Departments of Interior, Agriculture, and Commerce. The task force selects wetland restoration projects and organizes them onto a priority list based on cost-effectiveness of such projects in creating, restoring, protecting or enhancing coastal wetlands.⁴ This list is updated and provided to Congress annually.⁵ Projects funded through CWPPRA focus on preventing erosion of coastal wetlands, restoration of deteriorated marsh area, and habitat improvement for dependent species. Following the Act's inception, 204 coastal restoration or protection projects have been authorized, benefiting 97,401 acres in Louisiana.

Results of Review

As of December 31, 2015, CPRA expended approximately \$34.9 million of federal and non-federal funds of the available \$35.3 million project funds (see appendix B). We reviewed approximately \$27.3 million (78 percent) of these expenditures. We found that CPRA generally complied with award requirements; met the 15.12 percent matching share requirement; and administered the grant funds they received within applicable laws, regulations, and program requirements. However, we identified 2 minor issues related to questionable costs. Our review disclosed \$14,507 (\$12,314 federal share) in unallowable and unsupported total expenditures (see appendix C for breakdown of questioned costs). Our report makes one recommendation to correct these issues.

First, we found \$8,315 (\$7,058 federal share) in unallowable land rights costs, because CPRA incorrectly allocated those costs to the Bayou DuPont project. Some of the invoices used to support land rights costs in the Bayou DuPont project should have been allocated to other

¹ Government Accountability Office, December 2007. *Coastal Wetlands: Lessons Learned from Past Efforts in Louisiana Could Help Guide Future Restoration and Protection*. Page 1. GAO-08-130. Washington, DC: GAO.

² CWPPRA *Why Protect Louisiana Wetlands?* May 3 2016. Lacoast.gov/new/About

³ Title III of Pub. L. 101-646, 16 U.S.C. §§ 3951 et seq., 104 Stat. 4779

⁴ CWPPRA, Section 303(a) (1).

⁵ CWPPRA, Section 303(a) (3).

CPRA projects. The 2014 Office of Management and Budget Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance), 2 CFR § 200.405 and the prior OMB guidance, Circular A-87⁶ Attachment A, Section C(3), “Allocable Costs,” states a cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Second, we found \$6,192 (\$5,256 federal share) of unsupported costs because CPRA did not have supporting documentation to determine its ability to allow and allocate to the Bayou DuPont project. These costs were comprised of personnel salaries, employee personnel benefits, and project administration costs. Among the criteria set forth in the OMB Uniform Guidance, 2 CFR § 200.403, and OMB Circular A-87,⁷ Attachment A, Section C(1), for allowability of costs, are that the allowable costs are allocable to the appropriate federal award and that they are adequately documented.

Recommendation

We recommend that the NOAA Acquisition and Grants Office Director require CPRA to

- I. Provide adequate documentation to show that the unsupported costs amounting to \$12,314 are allowable and allocable or refund the recoverable portions that NOAA determines have not been adequately documented.

OIG received NOAA’s response to the draft report findings and recommendation, which we include here as appendix D. NOAA concurred with our findings and recommendation. This final memorandum report will be posted on the OIG website pursuant to section 8M of the Inspector General Act of 1978, as amended (5 U.S.C. App. 3).

In accordance with Departmental Administrative Order 213-5, please submit to us—within 60 calendar days of the date of this memorandum—an action plan that responds to the recommendation of this report.

Thank you for the courtesies extended to my staff during this review. If you have any questions or concerns about this memorandum, please call me at (202) 482-3884 or Kenneth Stagner, Regional Inspector General for Audit, at (303) 312-7650.

cc: Mack Cato, Audit Liaison, NOAA
Arlene Simpson-Porter, Director, Grants Management Division, NOAA
Tracy Jackson, Senior Grants Specialist/Audits, NOAA
Gary Barone, Program Officer, NOAA
Cecelia Linder, CWPPRA Program Manager, NOAA
Kyle Graham, Executive Director, CPRA

⁶ Office of Management and Budget, May 2004. *Cost Principles for State, Local and Indian Tribal Governments*, Circular A-87, Attachment A, Section C 3(a), Basic Guidelines. Washington, DC: OMB.

⁷ Ibid.

Appendix A. Objectives, Scope, and Methodology

In August 2015, we initiated an audit of costs claimed by CPRA under grant award NAI1NMF4630150 to provide sediment delivery to the Bayou DuPont project. The review covered the period of September 1, 2011, through December 31, 2015, during which time the recipient recorded total costs of approximately \$34.9 million. The objectives of our audit were to determine whether CPRA (1) complied with award terms and conditions and applicable laws and regulations, (2) met the 15.12 percent matching share requirements, and (3) claimed reasonable and allowable costs under the award. To accomplish our objectives, we

- evaluated CPRA policies and procedures, including the Department of Commerce Financial Assistance Terms and Conditions; 2 CFR; 15 CFR; OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations;
- judgmentally selected and reviewed 78 percent of CPRA costs claimed during the period beginning September 1, 2011, through December 3, 2015;
- reviewed drawdown reports, semi-annual financial reports, sub-recipient monitoring documents, and matching share documents to determine the ability to allow and allocate costs claimed; and
- interviewed CPRA and Louisiana Department of Natural Resources officials responsible for managing the grant for clarification and understanding of their actions to comply with the award terms and conditions.

We obtained an understanding of CPRA's procedures, operations, and management functions through policy review and interviews. While we identified and reviewed CPRA's internal controls, no incidents of fraud, illegal acts, violations, or abuse were detected during our review. We did not rely on computer-processed data.

This audit was conducted under the authority of the Inspector General Act of 1978, as amended, 5 U.S.C. App., and Department Organization Order 10-13, dated April 26, 2013, at Baton Rouge, LA. We conducted our fieldwork from August 2015 to July 2016 in accordance with the Inspector General Act of 1978, as amended, Department Organization Order 10-13, dated April 26, 2013, and with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix B. Summary of Source and Application of Funds

| | <u>Approved Budget^a</u> | <u>Receipts & Expenses^b</u> |
|-----------------------|--|--|
| SOURCE OF FUNDS: | | |
| Federal | \$30,005,572 | \$29,651,301 |
| Non-Federal | <u>5,343,343</u> | <u>5,232,582^c</u> |
| Total | \$35,348,915 | \$34,883,883 |
| APPLICATION OF FUNDS: | | |
| Construction | \$34,577,059 | \$34,531,055 |
| Inspection | 500,357 | 333,015 |
| Administration | 271,499 | 10,490 |
| Land Rights | <u>0</u> | <u>9,323</u> |
| Total | \$35,348,915 | \$34,883,883 |

Source: OIG analysis of CPRA records and the approved Financial Assistance Award

^a Approved budgeted costs are for the period of September 1, 2011, through August 31, 2016, based on the approved Financial Assistance Award.

^b Receipts and expenses are for the period of September 1, 2011, through December 31, 2015.

^c A total amount of contributed non-federal match was not received from the grantee. The federal and non-federal amounts are mathematically calculated based on the grantee's required matching share of 15.12 percent of total costs.

Appendix C. Breakdown of Questioned Costs

| <u>Description</u> | <u>Approved Budget</u> | <u>Costs Claimed</u> | <u>Costs Unsupported</u> | <u>Unsupported Allocation</u> | <u>Costs Accepted</u> |
|--------------------|------------------------|----------------------|----------------------------|-------------------------------|-----------------------|
| Construction | \$34,577,059 | \$34,531,055 | \$5,923 | \$0 | \$34,525,133 |
| Inspection | 500,357 | 333,015 | 0 | 0 | 333,014 |
| Administration | 271,499 | 10,490 | 270 | 0 | 10,220 |
| Land Rights | 0 | 9,323 | 0 | 8,316 ^a | 1,008 |
| Match | 0 | 0 | | 0 | 0 |
| Totals | \$35,348,915 | \$34,883,883 | \$6,192^b | \$8,316 | \$34,869,375 |

| | | |
|------------------------------------|------------------|-----------------------|
| Federal Funds Disbursed | | \$27,207,735 |
| Plus: Costs yet to be Reimbursed | | \$2,401,705 |
| Direct Costs Claimed | \$34,883,883 | |
| Questioned Costs | | |
| Unsupported Costs | (\$6,192) | |
| Costs Incorrectly Charged to Grant | <u>(\$8,316)</u> | |
| Direct Costs Accepted | \$34,869,375 | |
| Federal Cost Share Ratio | x 84.88% | |
| Federal Funds Earned | | <u>(\$29,597,126)</u> |
| Refund Due to Government | | <u>\$ 12,314</u> |

Source: OIG analysis of CPRA records and the approved Financial Assistance Award

^a We question \$8,316 of land rights costs because recorded expenses did not match invoices.

^b Totaling variation due to rounding.

Appendix D. Agency Response



UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
ACQUISITION AND GRANTS OFFICE

October 19, 2016

MEMORANDUM FOR: Mark H. Zabarsky
Assistant Inspector General for Acquisition
and Special Program Audits

FROM: William C. Wagner *Wagner CW*
Director
Policy and Oversight Division

SUBJECT: Comments on Draft OIG Report –
*Audit of Coastal Protection and Restoration Authority
Grant Award NA11NMF4630150
(September 2016)*

Attached is the National Oceanic and Atmospheric Administration's (NOAA) Acquisition and Grants Office comments on the Draft OIG report entitled, "Audit of Coastal Protection and Restoration Authority Grant Award NA11NMF4630150" (September 29, 2016).

If you have any questions, please contact Mr. Shem Yusuf, Policy and Oversight Division, at 816-823-3859.

Attachment

cc: Mack Cato, NOAA OCAO, Director Audits, Internal Control and Information Management

**Department of Commerce
National Oceanic and Atmospheric Administration
Comments to the OIG Draft Report Entitled
“Audit of Coastal Protection and Restoration Authority Grant Award NA11NMF4630150”
(September 2016)**

General Comments

The Department of Commerce's National Oceanic and Atmospheric Administration (NOAA), Acquisition and Grants Office (AGO) appreciates the opportunity to review and comment on the Office of Inspector General (OIG) draft report on Grant Award NA11NMF4630150 awarded to the Louisiana's Office of Coastal Protection and Restoration Authority (CPRA). NOAA AGO reviewed the report and the response to each recommendation is provided below.

Recommended Changes for Factual/Technical Information

None.

Editorial Comments

None.

NOAA Response to OIG Recommendations

Recommendation 1: We recommend that the Director of the NOAA Acquisition and Grants Office require CPRA to provide adequate documentation to show that the unsupported costs amounting to \$12,314 are allowable or allocable or refund the recoverable portions that NOAA determines have not been adequately documented.

NOAA Response: Concur. NOAA AGO will issue a Management Decision Letter requesting CPRA to provide within 30 days of receipt, a written explanation and documentation supporting the \$12,314 in questioned costs. Once received, NOAA AGO will review and determine whether the questioned costs are allowable and allocable and seek to recover any amounts unsupported.

011200000230